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Vietnam

Grain and Feed Update

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Report Highlights:

Despite El Nino, MY 2014/2015 (January-December 2015) Vietnam rice production is expected to have a slight increase in paddy volume. Meanwhile, rice bran is in short supply because of less rice export volume. Local corn production fall short, unlike rice production due to prolonged draught in the Central Highland and other corn growing areas, corn production is estimated down about 300,000 tons, resulted from lower crop yield. Feed wheat imported into Vietnam is estimated to increase about 200,000 tons in calendar year 2015 to substitute the short of other supplies.

Post:

Hanoi

Commodities:

Rice, Milled

Vietnam calendar year 2015 grain and feed update summary

The Vietnam feed industry relies on about 42% of total demanded volume imported from other countries, which includes soybean meal, corn, DDGS, various kinds of meal or bran like copra, canola, rape seed meal, wheat bran, etc.; and some animal protein sources like meat and bone meal (MBM) and fish meal. The local production source of feed ingredients includes corn, rice bran, broken rice and cassava.

Less supplies (in many local sources):

During January-July 2015, Vietnam export of Tapioca and products increased about 800,000 tons compared to the same period last calendar year (CY) 2014, this resulted in less volume of tapioca use for feed.

Despite El Nino, MY 2014/2015 (January-December 2015) Vietnam rice production is expected to have a slight increase in paddy volume. Meanwhile, rice bran is short of supply because of less rice export volume. Post estimates a decrease of about 100,000 tons of rice bran for feed ingredients.

Due to prolonged draught in the Central Highland and other corn growing areas, corn production is estimated down about 300,000 tons, resulted from lower crop yield.

DDGS import is expected less in calendar 2015 due to its uncompetitive price compared to yellow corn import from South America. Post estimates about 200,000 tons less of DDGS import compared to calendar year 2014.

More imports for leveling the demand:

Post estimates an increase of about 1,0 million tons of yellow corn and 200,000 tons of feed wheat imported into Vietnam in calendar year 2015 to substitute the shortfall of other supplies.

1. WHEAT

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Wheat

[illegible]

PRODUCTION

Vietnam does not produce wheat.

CONSUMPTION

The MY 2014/2015 wheat consumption is revised up from 2.05 million tons to 2.25 million tons, a 200,000-ton increase due to the increase feed wheat on the market.

The MY 2015/2016 wheat consumption is forecast to remain unchanged due to less demand for feed wheat for the feed industry that is expecting more competitive price of corn compared to feed wheat.

TRADE / COMPETITION

Import

Post revises Vietnam's wheat imports volume in the MY 2014/2015 to 2.35 million tons, an increase of 200,000 tons compared to MY 2013/2014 imported volume, due to the increase in the use of feed wheat. Imported volume for MY 2015/2016 is forecast at 2.30 million tons, slightly down compared to MY 2013/2014. Vietnam's wheat imports for the MY 2013/2014 were 2.03 million tons, about 100,000 lower than USDA's official estimate mainly due to less imported feed wheat.

Australian milling wheat is expected to continue dominating the wheat import market in Vietnam, accounting for over 70-80 percent of Vietnam's total wheat imported volume in MY 2012/2013.

The growth of baked wheat-based products and noodles requires high quality wheat, which possibly favors increased consumption of U.S. wheat. U.S. wheat is also used by Vietnamese mills for blending as a cost-effective way to improve the quality of their flour products. The recent year-on-year volume of U.S. wheat exported to Vietnam keeps on increasing proving the increase demand of premium quality wheat. Exports of U.S. wheat into Vietnam reached more than 160,000 tons in MY 2013/2014, and the revised volume of about 320,000 tons in MY 2014/2015, and 350,000 tons in MY 2015/2016.

Imports of feed wheat depend greatly on its price competitiveness with corn. Feed wheat imported in MY 2014/2015 is revised up about 200,000 tons due to its price competitiveness with corn.

Export

Vietnam has recently exported wheat to neighboring countries. Thailand is the biggest importer of Vietnamese flour. Wheat flour from Vietnam exported to Thailand is mainly competitively priced, low quality and mainly supplied as an ingredient in the aquaculture industry, with small quantities in the instant noodle industry. Vietnam exports of wheat flour to other countries like Indonesia, Malaysia, and the Philippines are mainly for the feed industry; and to Singapore, Hong Kong and Taiwan for the food processing industry and/or re-selling to other countries mainly dependent on the price competitiveness with other flour supply sources. Exports of Vietnamese wheat flour are estimate at 225,000 tons, wheat equivalent quantity, in the MY 2014/2015 and 180,000 tons in MY 2015/2016.

2. CORN

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Corn

[illegible]

PRODUCTION

The estimate of Vietnam CY 2015 corn production is revised from 5.63 million tons down to 5.32 million tons due to the prolonged drought in the Central Highland caused by the El Nino phenomenon. The production area did not shrink, however, the crop yield is expected down due to lack of rainfall in the production areas.

Vietnam Corn Production in Calendar Year 2014-2015 and forecast for 2016

	Unit	2014		2015		2016 Forecast
		Old	New	estimate	Revised	
Harvested area	1,000 Ha	1,179	1,179	1,250	1,250	1,300
Yield	mt/ha	4.40	4.40	4.50	4.25	4.60
Production	1,000 mt	5,188	5,188	5,625.00	5,315.00	5,980.00

Source: MARD / Post Estimate

CONSUMPTION

In Vietnam, corn is used as the main source of energy-ingredient for the animal feed industry, for food use as corn starch, and for limited use by other industries like beer, textiles, and the pharmaceutical industry. However, more than 80 percent of corn is used as feed ingredients.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. Corn use is expected to increase to meet the livestock sector's growth. Additionally, corn predominantly comes from imported sources, at least for the time being and in the near future, because local corn production is unable to keep up pace with fast growing demand of the animal feed industry. However, the real imported volume depends greatly on the availability other local alternative products like broken rice, rice bran, and cassava, and the price competitiveness of imported feed wheat and DDGS.

TRADE / COMPETITION

Competition exists between the home-made feed and manufactured feed sectors in Vietnam. Commercial feed manufacturers usually can only purchase up to 50 percent of total locally produced corn.

Corn growers, on the other hand, do not have appropriate storage facilities. Farmers must sell their product quickly after the harvest making local corn prices prone to seasonal fluctuations.

Corn has competition from other feed ingredient sources. Cassava, local broken rice production and imported feed wheat are among the main alternatives to corn. In recent years, rice and cassava have been more focused on export markets and fell short of supplying the domestic animal feed industry. Imported feed wheat is a very good alternative for imported corn when feed wheat prices are competitive.

IMPORT / EXPORT

Post revises corn imported volume in MY 2014/2015 from 2.0 million tons up to 3.5 million tons, due to the short of local corn production and over export volume of cassava. The import of corn volume in MY 2015/2016 is also revised up from 1.8 million tons to 3.0 million tons, due to expected strong competition of cassava demands from local ethanol industry and export.

According to trade sources, Vietnam exported some volume of its locally produced corn to China via border trade. There is no official data on the total volume. Post estimates the border trade with China remained at 500,000 tons for MY 2014/2015 and 500,000 tons for MY 2015/2016.

Imports of DDGS

The U.S. is still the only source of DDGS to the Vietnam market. The Vietnam yearly average import volume is about 500,000 tons. The import volume decreased in CY 2012 and 2013 due to quarantine pest issues but then bounced back strongly in CY 2014. The import volume for CY 2015, is down due to price competitiveness for corn from Brazil.

Imports Volume of DDGS from 2011-2014 and the first half of CY 2015 (tons)

Product	2011	2012	2013	2014	Jan - Jun 2014	Jan - Jun 2015	% Change
Distillers Grains	495,687 .0	371,481 .0	357,396 .0	638,934 .0	301,508.0	214,927.0	-29

Source: GATS

RICE

STATISTICAL TABLES

Vietnam's Production, Supply and Demand for Rice

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year Vietnam	Jan 2013		Jan 2014		Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7788	7788	7700	7692	7660	7660
Beginning Stocks	863	863	999	999	849	973
Milled Production	28161	28161	28050	28074	28200	28160
Rough Production	45058	45058	44880	44918	45120	45056
Milling Rate (.9999)	6250	6250	6250	6250	6250	6250
MY Imports	300	300	400	400	500	500
TY Imports	300	300	400	400	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	29324	29324	29449	29473	29549	29633
MY Exports	6325	6325	6700	6000	7000	6500
TY Exports	6325	6325	6700	6000	7000	6500
Consumption and Residual	22000	22000	21900	22500	22000	22500
Ending Stocks	999	999	849	973	549	633
Total Distribution	29324	29324	29449	29473	29549	29633
(1000 HA) ,(1000 MT)						

PRODUCTION

Vietnam's Area, Yield, and Production for Rough Rice (as of August 2015)

Marketing Year	2013/2014 Revised		2014/2015 Estimate		2015/2016 Forecast	
Harvested Area (tha)	Old	New	Old	New	Old	New
Winter ¹	1,770	1,770	1,700	1,700	1,680	1,680
Spring ²	3,111	3,111	3,100	3,112	3,100	3,100
Autumn ³	2,907	2,907	2,900	2,880	2,880	2,880
TOTAL	7,788	7,788	7,700	7,692	7,660	7,660
Yield (mt/ha)						
Winter	4.75	4.75	4.80	4.80	4.85	4.85
Spring	6.67	6.67	6.70	6.65	6.75	6.75
Autumn	5.47	5.47	5.50	5.58	5.55	5.55
AVERAGE	5.79	5.79	5.83	5.84	5.88	5.88
Production (tmt)						
Winter	8,407	8,407	8,160	8,160	8,148	8,148
Spring	20,750	20,750	20,770	20,695	20,925	20,925
Autumn	15,901	15,901	15,950	16,064	15,983	15,983
TOTAL	45,058	45,058	44,880	44,919	45,056	45,056

¹ Lua Mua (10th Month), ² Winter-Spring, ³ Summer-Autumn

Source: MARD, Post estimates

Revised estimate for MY 2014/2015 Vietnam rice production (began January 2015)

Post revises total rice production for MY 2014/2015 to reach 44.92 million tons of paddy rice, or approximately 28.07 million tons of milled rice equivalent. A slight increase of about 39,000 tons of paddy more than USDA's official number for the same marketing year due mainly to the increase of production of autumn crop in the Mekong River Delta (MRD). The increase of production of autumn crop in the MRD also off set the slight decrease of production of total Vietnam's spring crop, and mild decrease of autumn crop in other areas of Southern Vietnam , especially in the south central coastland areas that were impacted by strong drought conditions caused by El Nino.

Spring Crop

According to the Ministry of Agriculture and Rural Development (MARD) report in July 2015, Vietnam's total harvested area for the MY 2014-2015 spring crop is about same size with the MY 2013/2014 spring crop. However, the overall crop yield is lower due to lack of rainfall at the late stage of rice plants. Post revised the total production of Vietnam's MY 2014/2015 spring crop down to 20.69 million ton of paddy compared to 20.77 million tons of Post's last estimate.

Autumn Crop

The autumn crop is mainly located in the southern provinces. Especially, the MRD typically accounts for more than 80 percent of the total autumn crop planting area. As of August 15, 2015, the MY 2014/2015 autumn crop status is showed in the following table:

Vietnam MY2014/2015 Autumn Crop (1,000 hectares)

	Current planted area	Planned	Status (as of Aug. 25)
MRD in which			
- Early and Main crop	1,666	1,660	1,100 harvested
- Late Autumn	800	800	640 planted
Southern Upland area	89	93	4 harvested
Central Highland	6	6	Planted
Central Coastal area	169	202	Planted
Northern central area	156	145	Planted
Total	2,886	2,906	

Source: MARD

Winter Crop

Post estimates the harvested area for winter crop remained at 1.7 million hectares. Harvested area of MY 2015/2016 winter crop is forecasted to remain at 1.68 million hectares.

Mekong River Delta (MRD) Rice Production in the MY 2014/2015

Rice Production in the Mekong Delta by Marketing Year (000 ha; mt/ha; 000 mt)

	2013/2014 (Revised)			2014/2015 (Estimate) (old)			2014/2015 (Estimate) (new)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	220	4.10	902	200	4.20	840	200	4.20	840
Spring	1,563	7.16	11,188	1,560	7.20	11,232	1,563	7.14	11,160
Autumn (in which)	2,469	5.32	13,302	2,470	5.54	13,686	2,470	5.56	13,736
Main Autumn	1,679	5.60	9,402	1,670	5.80	9,686	1670	5.83	9,736
Late Autumn	790	4.94	3,900	800	5.00	4,000	800	5.00	4,000
Total	4,310	5.93	25,392	4,255	6.05	25,758			

Source: MARD, Post estimate

CONSUMPTION

Rice is the main staple food in Vietnam. Declining per-capita rice consumption in Vietnam is consistent with other countries in Asia. As the economy develops, consumers have greater purchasing power and more access to other foods, with per-capita consumption of rice tending to decline as income increases.

According to MARD, the most recent per capita rice consumption is about 136 kilogram. MARD uses the average per capita rice consumption to forecast rice supply and demand. The amount of rice used for average per capita consumption has decreased because of the availability of other food sources. The average per capita rice consumption per month in urban areas is lower than that in the

rural areas. Rice consumption also registered a faster decline in urban areas. However, the current per capita rice number suggests that the yearly population growth of about one million people is the main driver of the increase in total consumption, which continues to grow. Post estimates that the country needs to consume each year an additional 150,000 tons for rice to remain the dominant staple food.

Other factors in Vietnam's increased rice consumption include higher use of rice in home-made animal- and aquaculture-feeds, and growth in industrial scale food processing, especially in the beer and rice wine industries. In this sector, beer and local rice wine use a large volume of rice. The growth of the industry is steady at 10 percent annually. The additional use of rice for food processing industry is 50,000-100,000 tons per year.

Rice is one of the main sources of home-made feed for swine, fish, and poultry, especially in the MRD. Post estimates the increased use of rice for animal feed industry is estimate at 200,000-300,000 tons per year, depending on its price competitiveness with other alternative sources like corn and cassava.

In total, the total additional local rice consumption is a maximum of 500,000 tons per year.

STOCK

Rice stock in MY 2014/2015 is estimated to increase from 824,000 tons to 973,000 tons due to expected reduction of export. Rice stock in MY 2015/2016, however, is expected to be decreased from 784,000 tons to 633,000 tons most possibly due to the increase of both production and import, which are unable to keep up pace with the increase in local consumption and export.

TRADE / COMPETITION

Exports

The Vietnam MY2014/2015 rice exports is revised down from 6.7 million tons to 6.0 million tons, due to expected strong competition from Thailand, India, Pakistan and other new exporters such as Cambodia and Myanmar, and smaller import volume from China, one of Vietnam's biggest rice export markets. The MY 2015/2016 rice export is revised down from 7.0 million tons to 6.5 million tons, due to expected low carry-over stocks from the MY 2014/2015.

The Vietnam Food Association (VFA) maintains rice export registration requirements and the Minimum Export Price (MEP), which is based on government regulations of rice exports - Ordinance 109/2010/ND-CP, seeks to regulate the flow and prices for rice exports.

Imports

Vietnam imports rice mostly from Cambodia, with a small volume of sticky rice coming from Laos. Most of Cambodia's shipments occur around the beginning of the calendar year, immediately after its main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing, since most of the rice grown in the Mekong River Delta is purely for export. Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam.

Post estimates MY 2014/2015 and MY 2015/2016 rice imports from Cambodia remained 400,000 tons and 500,000 tons, respectively, given very thin carry-over stock from MY 2013/2014.